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FISCAL IMPACT STATEMENT

LS 6439

BILL NUMBER: SB 233

NOTE PREPARED: Dec 11, 2010

BILL AMENDED:

SUBJECT: Homestead Assessed Value Growth Cap.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill limits the annual increase in assessed value of a homestead to 5% unless: (1) ownership of the homestead changes during the year; or (2) the increase results from physical changes to the homestead.

Effective Date: January 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, real property assessed values are adjusted each year. Under this bill, any increase in a year would be limited to 5% unless the property has undergone a physical change.

The average annual increase in value for homes sold in Indiana from 2000 through 2007, before housing values fell, was about 2.7%. Current estimates predict an average 3.5% growth rate in the state for taxes payable in both 2013 and 2014.

Since the average increase has been significantly below the 5% limit in this proposal, the bill would most likely only affect specific situations where a property or a group of properties experience a rapid increase in value due to external factors. It could also affect properties in fast-growing counties or all properties in

a year where the overall market shows great gains. Since 1992, the average increase in Indiana home values has exceeded 5% only once; 5.1% in 1993.

If the increase in a home's assessed value would otherwise exceed 5%, the limitation under this bill would create a tax shift from the taxpayers at the limit to all other taxpayers through an increased tax rate.

The higher tax rate and lower assessed values would increase the exposure to the circuit breaker caps. This would cause a reduction in net tax bills and a corresponding reduction in local property tax collections. The actual impact would depend on local factors.

In addition, the growth in the levy for rate-controlled funds, such as cumulative funds, would be reduced by the product of the foregone AV multiplied by the tax rate.

State Agencies Affected:

Local Agencies Affected: Local assessors; Local civil taxing units and school corporations.

Information Sources: *2Q 2010 Purchase-Only Indexes for Each State*, Office of Federal Housing Enterprise Oversight; *Home Price, Existing Average* historic series and forecast series, Global Insight.

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